

Message Text

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21

ACTION ARA-20

INFO OCT-01 AF-10 EA-11 EUR-25 NEA-11 RSC-01 ISO-00 AGR-20

CEA-02 CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-03

INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-04 AID-20

CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SPC-03 FEA-02 OMB-01 OPIC-12 SIL-01 PM-07 GSA-02

DRC-01 /255 W

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R 212253Z JAN 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 5980

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY LONDON

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: CS, EAGR, EIND, ENRG

SUBJECT: ENERGY: COFFEE TAX PROPOSAL

1. SUMMARY. PRESIDENT FIGUERES CALLS FOR SPECIAL
TAX ON COFFEE BY PRODUCER COUNTRIES.

2. DURING A SPEECH AT THE TOWN OF TRES RIOS ON
JANUARY 20, COSTA RICAN PRESIDENT JOSE FIGUERES
PROPOSED THAT THE COFFEE PRODUCING NATIONS OF LATIN
AMERICA AND AFRICA JOIN TOGETHER TO LEVY A SPEICAL,
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JOINT TAX "THE GRITO DE TRES RIOS" SAID THE TAX SHOULD

AMOUNT TO 100 PERCENT AND IT SHOULD BE USED TO OFFSET THE CHARGES ACCRUING TO THE UNDER-DEVELOPED WORLD AS A RESULT OF INCREASES IN PETROLEUM PRICES. HE NOTED THAT THE EFFECT OF THE TAX WOULD BE TO INCREASE THE PER CUP PRICE OF COFFEE BY ONLY U.S. \$.02. FIGUERES MADE IT CLEAR THAT HE WAS NOT SPEAKING OF A UNILATERAL COSTA RICA IMPOSED TAX BUT THAT THE ARRANGEMENT SHOULD BE ADOPTED BY ALL PRODUCERS SINCE "IF THE ARAB COUNTRIES HAVE REACHED AN AGREEMENT TO INCREASE THE PRICE OF PETROLEUM...(WHY SHOULD COFFEE PRODUCERS) HAVE LESS CAPACITY THAN THE ARABS."

3. COMMENT: OBVIOUSLY FIGUERES' PROPOSAL IS NOT OF THE SAME ORDER AS THE ARAB'S MANIPULATIONS OF THE PETROLEUM MARKET BECAUSE OF DIFFERENCE IN ELASTICITIES AND IN SUBSTITUTABILITY. NEVERTHELESS, IF COSTA RICA POSES THIS PROPOSAL IT COULD HELP FOCUS ATTENTION OF THE PRODUCERS ON MAINTAINING DISCIPLINE IN AN EFFORT TO KEEP COFFEE PRICES HIGH VIA CONTROL OF SUPPLY. WHILE THE "GRITO DE TRES RIOS" MIGHT BE OF DUBIOUS EFFECTIVENESS IN REGARD TO COFFEE, SHOULD COSTA RICA BECOME A MAJOR ALUMINUM PRODUCER, A SUBSEQUENT "GRITO DE SAN ISIDRO" MIGHT VERY WELL HAVE IMPORTANT IMPLICATIONS FOR THE ALUMINUM MARKET.

VAKY

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Message Attributes

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